



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

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Comptroller

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December 6, 2011

Wade Baughman, Chief Executive Officer
Urban Strategies, Inc.
720 Olive, Suite 2600
St. Louis, MO 63101

RE: Community Development Block Grant (CDBG) (Project #2012-CDA5)

Dear Mr. Baughman:

Enclosed is a report of the fiscal monitoring review of the Urban Strategies, Inc, a not-for-profit organization, CDBG Program, for the period January 1, 2011, through June, 2011. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of Urban Strategies, Inc. Fieldwork was completed on September 23, 2011.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis, Community Development Administration (CDA) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, CDA
Lorna Alexander, Special Assistant for Development, CDA



CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**URBAN STRATEGIES, INC.
CONTRACT #11-14-09
CFDA #14.218**

FISCAL MONITORING REVIEW

JANUARY 1, 2011 THROUGH JUNE 30, 2011

PROJECT #2012-CDA5

DATE ISSUED: DECEMBER 6, 2011

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
URBAN STRATEGIES, INC.
FISCAL MONITORING REVIEW
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INTRODUCTION

Background

Contract Name: COVAM / Cochran Outreach Center
Contract Number: 11-14-09
Contract Period: January 1, 2011 through June 30, 2011
CFDA Number: 14.218
Contract Amount: \$29,925

The contract provided Community Development Block Grant (CDBG) funds to Urban Strategies, Inc. (Agency) to empower residents in distressed urban core neighborhood to lead healthy prosperous lives in thriving self-sustaining communities. This is accomplished by providing senior residents and children and youth with meaningful educational and recreational programs

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local Community Development Administration (CDA) requirements for the period January 1, 2011, through June 30, 2011, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by CDA. Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on September 23, 2011.

Exit Conference

The Agency was offered the opportunity for an exit conference on October 21, 2011, but it was declined.

Management's Response

The management's response to the observation and recommendation identified in the draft report was received from the Agency on October 31, 2011. The response has been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local CDA requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2008-CDA42, issued November 5, 2008, noted three findings:

1. Agency received reimbursement for unallowable Federal Insurance Contribution Act (FICA) taxes **(Resolved)**
2. The Agency did not file IRS Form 990 in a timely manner **(Resolved)**
3. The Agency did not require two duly authorized signatures on checks **(Repeated)**

A-133 Status

The Agency expended \$500,000 or more in federal funds for the year ended December 31, 2010; therefore, it was required to have a single audit in accordance with OMB Circular A-133.

The report was dated July 11, 2011, and rendered an unqualified opinion on the general purpose financial statements. There were material weaknesses, but no significant deficiencies identified. There was no noncompliance material to the financial statements noted.

The report rendered a qualified opinion on four of 14 compliance requirements on compliance for major programs. There were material weaknesses, but no significant deficiencies identified. There were findings required to be reported in accordance with OMB Circular A-133.

The Agency did not qualify as a low-risk auditee.

IAS reviewed the report on October 20, 2011, and based on the Agency's proposed corrective action plan in the report recommends that the report be accepted.

Summary of Current Observations

A recommendation was made for the following observation, which if implemented could assist the Agency in fully complying with federal, state, and local CDA requirements.

- Opportunity for two duly authorized signatures on grant disbursement checks **(Repeated)**

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

Opportunity For Two Duly Authorized Signatures On Grant Disbursement Checks

The Agency only requires one authorized signature on all CDBG disbursement checks less than \$500.00 due to the size of the organization.

CDA Fiscal Procedures Manual requires the method of disbursement for expenditures shall be pre-numbered checks signed by the chief executive officer and the financial officer or any two duly authorized officers.

Based on the questionnaire completed by the Agency and confirmed by the Agency Executive Director, two signatures are only required for expenditure checks over \$500.00. Non-compliance with CDA Procedures Manual could result in delay or suspensions of CDBG reimbursements to the Agency.

Recommendation

It is recommended that the Agency comply with the check signing requirements of the CDA Fiscal Procedures Manual, and have all CDBG disbursement checks signed by two duly authorized officers of the Agency.

Management's Response

Urban Strategies will comply with this recommendation going forward.